

Message Text

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ACTION EA-13

INFO OCT-01 SS-14 ISO-00 NSC-07 NSCE-00 CIAE-00 INR-10

NSAE-00 RSC-01 A-01 L-02 IO-03 SAJ-01 EB-03 SP-01

OMB-01 PRS-01 PA-01 EUR-10 DRC-01 COME-00 TRSE-00

AGR-03 PM-03 DODE-00 /077 W
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P R 200345Z MAY 74

FM USLO PEKING

TO SECSTATE WASHDC PRIORITY 1817

INFO AMEMBASSY MOSCOW

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

AMCONSUL HONG KONG

CINCPAC

C O N F I D E N T I A L PEKING 0828

LIMDIS

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: PFOR CH TW ETRD EAGR

SUBJECT: GOVERNORS' MEETING WITH VICE MINISTER OF
FOREIGN TRADE

REF: PEKING 0823, PEKING 0824, PEKING 0827

SUMMARY: DURING A 50-MINUTE MEETING MAY 19 WITH VICE
MINISTER OF FOREIGN TRADE YAO YI-LIN, THE U.S. GOVERNORS'
DELEGATION WAS TOLD THAT RAPID DEVELOPMENT CANNOT BE
EXPECTED IN OUR BILATERAL TRADE UNTIL POLITICAL "HANDICAPS"
HAVE BEEN REMOVED. THEY WERE ALSO TOLD OF CHINESE
DISSATISFACTION WITH QUALITY OF MANY AMERICAN
AGRICULTURAL PRODUCTS, BUT YAO OPINED THAT THE TCK
SMUT PROBLEM WOULD BE SETTLED TO THE SATISFACTION OF
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BOTH SIDES. HE EXPRESSED PRC INTEREST IN FURTHER IMPORTS

OF HIGH TECHNOLOGY ITEMS AND POSSIBLY ADDITIONAL AIRCRAFT. THE CCPIT DELEGATION, YAO SAID, WAS DELAYED BECAUSE OF A HEAVY SCHEDULE, BUT HE STATED THAT IT WOULD GO TO THE U.S. AT AN "APPROPRIATE TIME". END SUMMARY.

1. FOLLOWING A COMMENT BY VICE PREMIER LI HISIEN-NIEN IN HIS MEETING WITH GOVERNORS MAY 18 THAT GIVEN THEIR OBVIOUS INTEREST IN TRADE QUESTIONS THEY OUGHT TO MEET WITH THE MINISTRY OF FOREIGN TRADE, THE DELEGATION RECEIVED A CALL AT 11 P.M. THAT NIGHT INFORMING THEM THAT WORD HAD "JUST BEEN RECEIVED" THAT VICE MINISTER YAO YI-LIN WOULD BE PLEASED TO RECEIVE THEM THE NEXT AFTERNOON. IT WAS EXPLAINED THAT MINISTER LI CHIANG, WHOM THE DELEGATION HAD ASKED TO SEE, WAS UNAVAILABLE.

2. IN RESPONSE TO A REQUEST FOR HIS EVALUATION OF THE PROGRESS, PROBLEMS AND PROSPECTS FOR US-PRC TRADE, YAO WENT INTO A LONG DISCUSSION OF PROBLEMS, PARTICULARLY WITH OUR AGRICULTURAL EXPORTS TO THE PRC. HE SPENT A GREAT DEAL OF TIME TALKING ABOUT TCK SMUT. HE CHARACTERIZED THAT PROBLEM AS A "CONCRETE" ONE AND, REFERRING TO ON-GOING EXPERTS TALKS, SAID HE WAS CONVINCED THAT A SOLUTION WILL BE FOUND. YAO SAID THAT THE GRAIN DEALERS HAD ACKNOWLEDGED THEY HAD BEEN NEGLIGENT IN INSPECTING THE WHEAT AND WOULD IMPROVE THEIR SYSTEM, BUT HE NOTED THAT THEY STILL SAID THEY COULD NOT ABSOLUTELY GUARANTEE SMUT WOULD NOT BE PRESENT. HE LATER REPEATED HIS BELIEF IN THE LIKELIHOOD OF A SOLUTION ACCEPTABLE TO BOTH SIDES.

3. YAO DISCUSSED THE PHILOSOPHY BEHIND THE PRC'S GRAIN IMPORTS, NOTING THAT THEY WERE DESIGNED TO MAKE UP FOR LARGE AMOUNTS OF RICE EXPORTS. THUS HE SAID, WHILE CHINA HOPED TO IMPORT HIGHER QUALITY WHEAT, IF IT CANNOT, IT WILL SIMPLY CONSUME MORE RICE.

4. YAO ALSO SAID THERE HAD BEEN COMPLAINTS ABOUT THE QUALITY OF AMERICAN CORN AND COTTON. REGARDING COTTON IN PARTICULAR, HE SAID THAT THERE WERE TOO MANY GRADES OF COTTON MIXED TOGETHER AND THAT THE QUALITY OF COTTON

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FROM THE U.S. IS LOWER THAN THAT FROM OTHER COUNTRIES. HE SAID THIS WAS THE JUDGMENT OF CONSUMERS, TEXTILE WORKERS AND PEASANTS. U.S. CORN IMPORTS ALSO HAD TOO MANY MIXTURES, HE SAID, WHICH RESULTED IN RODENT PROBLEMS, A POINT WHICH HE DID NOT FURTHER ELABORATE.

5. WHEN ASKED ABOUT THE PROSPECTS FOR FURTHER TRADE OF VARIOUS TYPES OF MACHINERY AND ABOUT PROBLEMS IN

PACKAGING AND LABELING, YAO TURNED TO WHAT WAS OBVIOUSLY THE MAIN POINT HE WISHED TO CONVEY: THE FUNDAMENTAL OBSTACLE TO RAPID DEVELOPMENT OF BILATERAL TRADE IS POLITICAL, NOT ECONOMIC. HE OBSERVED THAT THERE HAS BEEN SOME PROGRESS IN THE NORMALIZATION OF RELATIONS OVER THE LAST TWO YEARS, BUT HE SAID IT STILL HAS NOT ATTAINED THE "DUE" DEGREE, IT STILL HAS "HANDICAPS". THIS WAS A THEME HE RETURNED TO AT MANY POINTS LATER IN THE CONVERSATION AS THE DELEGATION PROBED SPECIFIC AREAS WHERE TRADE MIGHT DEVELOP.

6. YAO ACKNOWLEDGED THAT CHINA WOULD BE INTERESTED IN IMPORTING SOME ADVANCED TECHNOLOGY EQUIPMENT IN THE FIELDS OF MINING, SPINNING AND WEAVING, AND AGRICULTURAL MACHINERY (WHICH WERE AREAS SPECIFICALLY RAISED BY THE DELEGATION.) HE ALSO INDICATED THERE COULD POSSIBLY BE FURTHER PURCHASES OF AIRCRAFT. YAO DID, HOWEVER, TIE THESE REMARKS EXPLICITLY TO THE NEED FOR PRIOR SETTLEMENT OF THE POLITICAL PROBLEMS.

7. IN RESPONSE TO A QUESTION ABOUT THE DELAY IN THE CCPIT DELEGATION VISIT TO THE US, YAO SAID THIS WAS BECAUSE OF SCHEDULING DIFFICULTIES, BUT HE SAID HE THOUGHT THEY WOULD GO AT SOME TIME. (THIS WAS LATER RENDERED AS "AT AN APPROPRIATE TIME".)

8. YAO DECLINED TO BE PINNED DOWN ON LIKELY EXPORT PRODUCTS TO THE U.S. AND DID NOT RAISE THE QUESTION OF MFN AS AN OBSTACLE TO TRADE. WHEN ASKED ABOUT EXCHANGES IN THE FIELDS OF SOYBEAN RESEARCH AND HOG RAISING, YAO REMARKED THAT THERE HAD ALREADY BEEN SOME DEVELOPMENT IN THESE AREAS IN THE PAST AND THERE WOULD BE MORE IN THE FUTURE.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, FOOD CONTAMINATION, WHEAT, PROVINCIAL GOVERNOR, VISITS, FOREIGN POLICY POSITION, TECHNOLOGICAL EXCHANGES
Control Number: n/a
Copy: SINGLE
Draft Date: 20 MAY 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PEKING00828
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740124-0526
From: PEKING
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740534/aaaabdn1.tel
Line Count: 154
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: PEKING 0823, PEKING 0824, PEKING 082, 7
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUN 2002 by elyme>; APPROVED <26 FEB 2003 by GarlanWA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOVERNORS' MEETING WITH VICE MINISTER OF FOREIGN TRADE
TAGS: PFOR, ETRD, EAGR, CH, TW, US, (YAO YI-LIN)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005